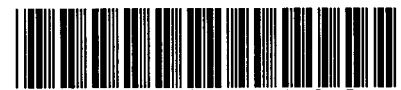


ORIGINAL



0000035490

MEMORANDUM

RECEIVED 30

TO: Docket Control

2005 DEC -1 P 2: 05

FROM: Ernest G. Johnson
Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

Date: December 1, 2005

RE: STAFF REPORT FOR TACNA WATER MANAGEMENT COMPANY –
APPLICATION FOR EXTENSION OF ITS EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY (DOCKET NO. W-01344A-04-0815)

Attached is the Staff Report for Tacna Water Management Company's application for extension of its existing Certificate of Convenience and Necessity to provide water service. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

Service List for: Tacna Water Management Company
Docket No. W-01344A-04-0815

Mr. Don Kelland
Tacna Water Management Company
2993 South Arizona Avenue
Yuma, Arizona 85364

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Company Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

TACNA WATER MANAGEMENT COMPANY

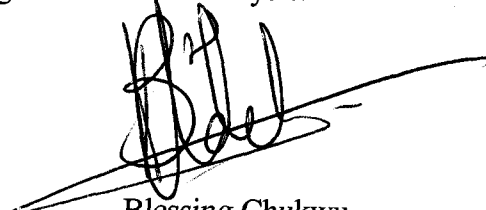
W-01344A-04-0815

APPLICATION FOR EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND NECESSITY

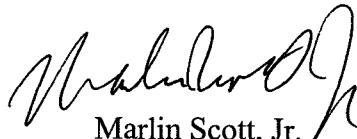
DECEMBER 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Tacna Water Management Company (Docket No. W-01344A-04-0815) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Marlin Scott, Jr. was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to be 'B. Chukwu', with a long horizontal stroke extending to the right.

Blessing Chukwu
Executive Consultant III

A handwritten signature in black ink, appearing to be 'Marlin Scott, Jr.', with a stylized, cursive script.

Marlin Scott, Jr.
Utilities Engineer

EXECUTIVE SUMMARY
TACNA WATER MANAGEMENT COMPANY
APPLICATION FOR EXTENSION OF ITS EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE
DOCKET NO. W-01344A-04-0815

On November 10, 2004, Tacna Water Company filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service in portions of Yuma County, Arizona. On September 9, 2005, Tacna Water Company filed an amendment to its application to include a revised legal description. On October 11, 2005, the Company filed a Notice of name change from Tacna Water Company to Tacna Water Management Company ("Tacna" or "Company"). On October 31, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code.

Tacna is an Arizona Corporation, in good standing with the Corporations Division, and engaged in providing water utility service to customers in portions of Yuma County, Arizona. The original CC&N for the Company was granted by the Commission in Decision No. 21804, issued on April 26, 1952. According to the Company's Annual Report for the year ending December 31, 2004, the Company is serving 143 customers. The Company reported annual revenue of \$27,916, expenses of \$22,282, and a net income of \$5,634.

By this application, Tacna is seeking Commission authority to add four different areas to its CC&N. The request will add approximately 6.13 square-miles to the Company's existing 0.13 square-miles of certificated area. The Company serves the community of Tacna, approximately 40 miles East of Yuma along Interstate 8, in Yuma County.

Based on Staff's review and analysis of the application, Staff believes that the existing system and the proposed plant facilities have adequate source production and storage capacity to serve the existing and proposed CC&N extension areas within a conventional five year planning period.

Staff recommends the Commission approve Tacna's application for extension of its existing Certificate of Convenience and Necessity to provide water service in Yuma County subject to compliance with the following conditions:

1. To require Tacna to charge its authorized rates and charges in the extension area.
2. To require Tacna to file with Docket Control, as a compliance item, a Notice of Filing indicating Tacna has submitted for Staff's review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.
3. To require Tacna to file with Docket Control, as a compliance item in this docket a copy of the Arizona Department of Environmental Quality Approval To Construct

("ATC") for the facilities needed to serve the requested areas within one year of the effective date of an order in this proceeding.

4. To require Tacna to file with Docket Control, as a compliance item in this case within one year of the effective date of the order in this proceeding copies of the developers' Letter of Adequate Water Supply for the requested areas, where applicable or when required by statute. These Letters must indicate an adequate supply of water.
5. To require Tacna to file with Docket Control, as a compliance item in this docket a copy of Yuma County franchise agreement for the requested area within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension be considered null and void should the Company fail to meet the Condition No. 2, 3, 4, and 5 listed above within the time specified.

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Introduction

On November 10, 2004, Tacna Water Company filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service in portions of Yuma County, Arizona. On September 9, 2005, Tacna Water Company filed an amendment to its application to include a revised legal description.

On December 7, 2004, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that Tacna Water Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C."). A copy of the Insufficiency Letter was sent to Tacna Water Company via U.S. mail. In the Letter, Staff listed the deficiencies that needed to be cured for administrative purposes.

On February 9, 2005, and September 9, 2005, Tacna Water Company provided additional documentation to support the relief requested.

On October 11, 2005, Tacna Water Company filed a Notice of name change from Tacna Water Company to Tacna Water Management Company ("Tacna" or "Company").

On October 31, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C. R14-2-402.

Background

Tacna is an Arizona Corporation, in good standing with the Corporations Division, and engaged in providing water utility service to customers in portions of Yuma County, Arizona. The original CC&N for the Company was granted by the Commission in Decision No. 21804, issued on April 26, 1952, in Docket No. U-1344, under the name Roy B. Kelland dba Tacna Water Company. After Mr. Roy B. Kelland's death in 1981, the Company was transferred to his son, Mr. Don Kelland, in 1983, through probate. According to the Corporations Division's records, the Company became incorporated on April 8, 1992, as Tacna Water Company, Inc. On December 11, 2000, Tacna Water Company, Inc. changed its name to Tacna Water Management Company. Tacna Water Management Company's corporation status was dissolved by the ACC on February 21, 2003, due to failure to file annual report with the Corporations Division. The Company's corporation status was reinstated on June 30, 2005. According to the Company's Annual Report for the year ending December 31, 2004, the Company is serving 143 customers. The Company reported annual revenue of \$27,916, expenses of \$22,282, and a net income of \$5,634.

By this application, Tacna is seeking Commission authority to add four different areas to its CC&N. The request will add approximately 6.13 square-miles to the Company's existing 0.13 square-miles of certificated area. The Company serves the community of Tacna, approximately 40 miles East of Yuma along Interstate 8, in Yuma County.

Finance of Utility Facilities

The Company is proposing to finance the required utility facilities through loan and advances in aid of construction. Advances in aid of construction are often in the form of Main Extension Agreements ("MXAs"). MXAs are standard industry practice. The minimal acceptable criteria for line extension agreements between water utilities and private parties are established by A.A.C. R14-2-406. These agreements generally require the developer to design, construct and install (or cause to be), all facilities to provide adequate service to the development. The developer is required to pay all costs of constructing the required facilities necessary to serve the development. Upon acceptance of the facilities by the Utility Company, the developer conveys the utility facilities through a warranty deed to the Utility Company. Utility Companies will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years.

Staff recommends that Tacna file with Docket Control, as a compliance item, a Notice of Filing indicating Tacna has submitted for Staff's review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.

The Water System

According to Water Use Data Sheet submitted by the Company, the Company has two wells producing 310 gallons per minute ("GPM"), an 8,000 pressure tank, and a distribution system serving 152 service connections. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 165 connections at the end of five years. The Company has predicted additional 850 connections for the proposed CC&N extensions at the end of five years, resulting in a projected total customer base of approximately 1,025 at the end of five years. Based on the existing well production and pressure tank capacities, the system can serve approximately 340 service connections.

The Company is proposing to extend its water system into the requested areas in construction phases. These phases are:

- Phase 1: The Company has contracted for 100 acre-feet per year of surface water allocation from the Wellton-Mohawk Irrigation and Drainage District in order to provide sufficient water to the requested areas. This Phase 1 project involves the construction of a canal turn-out, pumping site, and approximately 8,000 feet of transmission main, at an estimated cost of \$66,033.
- Phase 2: This project will consist of the construction of a 100 GPM Trimate water treatment system (adsorption clarifier/filtration tank), refurbishment of the old 325,000 gallon storage tank and additional booster pumps. Estimated cost of this project is \$194,235.

Phase 3: This project will consist of a new 300,000 gallon storage tank, a booster system and 15,000 feet of transmission main, at an estimated cost of \$307,500.

Phase 4: This project will consist of a second new 300,000 gallon storage tank, a booster system and 14,500 feet of transmission main, at an estimated cost of \$378,246.

TOTAL ESTIMATED COST: \$946,014

The projects in Phases 1 and 2 will be constructed using a WIFA loan, whereas, Phases 3 and 4 will be constructed using main extension agreements. The Company's financing application (Docket No. W-01344A-05-0647) for projects in Phases 1 and 2 is currently pending.

Staff concludes that the existing system and the proposed plant facilities have adequate source production and storage capacity to serve the existing and proposed CC&N extension areas within a conventional five year planning period.

Staff recommends that the Company file with Docket Control as a compliance item in this docket a copy of the Arizona Department of Environmental Quality Approval To Construct ("ATC") for facilities needed to serve the requested areas within one year of the effective date of an order in this proceeding.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the water system under ADEQ Public Water System I.D. #14-018. Based on compliance information submitted by the Company, the system has no deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Arizona Department of Water Resources ("ADWR") Compliance

The Company is not located in an Active Management Area ("AMA") and is not subject to any AMA reporting and conservation requirements.

Staff recommends that the Company docket as a compliance item in this case within one year of the effective date of the order in this proceeding copies of the developers' Letter of Adequate Water Supply for the requested areas, where applicable or when required by statute. These Letters must indicate an adequate supply of water.

ACC Compliance

According to the Utilities Division Compliance Section, Tacna has no outstanding ACC compliance issues.

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") or parts per billion ("ppb") to 10 µg/l. The date for compliance with the new MCL is January 23, 2006.

The Company reported the arsenic concentration for its two wells at 30 ppb. Based on this arsenic concentration, the Company is proposing to construct a water treatment system that will treat surface and groundwater in order to meet the new arsenic MCL. This treatment system construction is addressed in the Company's pending financing application, Docket No. W-01344A-05-0647.

Curtailment Plan Tariff

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events.

The Curtailment Plan Tariff is being addressed in the Company's pending rate application, Docket No. W-01344A-05-0183.

Proposed Rates

Tacna has proposed to provide water utility service to the extension area under its authorized rates and charges.

Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority, pursuant to ARS 40-282.B. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket a copy of Yuma County franchise agreement for the requested area within 365 days of the decision in this matter.

Recommendations

Staff recommends the Commission approve Tacna's application for extension of its existing Certificate of Convenience and Necessity to provide water service in Yuma County subject to compliance with the following conditions:


1. To require Tacna to charge its authorized rates and charges in the extension area.
2. To require Tacna to file with Docket Control, as a compliance item, a Notice of Filing indicating Tacna has submitted for Staff's review and approval, a copy of the fully executed main extension agreements for water facilities for the extension area within 365 days of a decision in this case.
3. To require Tacna to file with Docket Control as a compliance item in this docket a copy of the Arizona Department of Environmental Quality Approval To Construct ("ATC") for facilities needed to serve the requested areas within one year of the effective date of an order in this proceeding.
4. To require Tacna to file with Docket Control in this case within one year of the effective date of the order in this proceeding copies of the developers' Letter of Adequate Water Supply for the requested areas, where applicable or when required by statute. These Letters must indicate an adequate supply of water.
5. To require Tacna to file with Docket Control, as a compliance item in this docket a copy of Yuma County franchise agreement for the requested area within 365 days of the decision in this matter.

Staff further recommends that the Commission's Decision granting the requested CC&N extension be considered null and void should the Company fail to meet the Condition No. 2, 3, 4 and 5 listed above within the time specified.

MEMORANDUM

DATE: October 19, 2005

TO: Blessing Chukwu
Executive Consultant III

FROM: Marlin Scott, Jr. 
Utilities Engineer

RE: Tacna Water Company
Docket No. W-01344A-04-0815 (CC&N Extension)

Introduction

Tacna Water Company ("Company") has applied to extend its Certificate of Convenience and Necessity ("CC&N") to four different areas. The requested areas will add approximately 6.13 square-miles to the Company's existing 0.13 square-miles of certificated area. The Company serves the community of Tacna, approximately 40 miles east of Yuma along Interstate 8, in Yuma County.

Capacity

Existing Utility Plant

According to water use data submitted by the Company, the Company has two wells producing 310 gallons per minute ("GPM"), an 8,000 pressure tank and a distribution system serving 152 service connections. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 165 connections at the end of five years. The Company has predicted additional 850 connections for the proposed CC&N extensions at the end of five years, resulting in a projected total customer base of approximately 1,025 at the end of five years. Based on the existing well production and pressure tank capacities, the system can serve approximately 340 service connections.

Proposed Plant Facilities

The Company is proposing to extend its water system into the requested areas in construction phases. These phases are:

Phase 1: The Company has contracted for 100 acre-feet per year of surface water allocation from the Wellton-Mohawk Irrigation and Drainage District in order to

provide sufficient water to the requested areas. This Phase 1 project involves the construction of a canal turn-out, pumping site and approximately 8,000 feet of transmission main, at an estimated cost of \$66,033.

Phase 2: This project will consist of the construction of a 100 GPM Trimite water treatment system (adsorption clarifier/filtration tank), refurbishment of the old 325,000 gallon storage tank and additional booster pumps. Estimated cost of this project is \$194,235.

Phase 3: This project will consist of a new 300,000 gallon storage tank, booster system and 15,000 feet of transmission main, at an estimated cost of \$307,500.

Phase 4: This project will consist of a second new 300,000 gallon storage tank, booster system and 14,500 feet of transmission main, at an estimated cost of \$378,246.

TOTAL ESTIMATED COST: \$946,014

The projects in Phases 3 and 4 will be constructed using main extension agreements.

Conclusion

Staff concludes that the existing system and the proposed plant facilities have adequate source production and storage capacity to serve the existing and proposed CC&N extension areas within a conventional five year planning period.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

ADEQ regulates the water system under ADEQ Public Water System I.D. #14-018. Based on compliance information submitted by the Company, the system has no deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Certificate of Approval to Construct

The ADEQ Certificate of Approval to Construct ("ATC") for facilities needed to serve the requested areas have not been submitted by the Company. Staff recommends that the Company docket as a compliance item in this case copies of the ATC issued by ADEQ within one year of the effective date of the order in this proceeding.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. The date for compliance with the new MCL is January 23, 2006.

The Company reported its arsenic concentration for its two wells at 30 ppb. Based on this arsenic concentration, the Company is proposing to construct a water treatment system that will treat surface and groundwater in order to meet the new arsenic MCL. This treatment system construction is addressed in the Company's pending financing application, Docket No. W-01344A-05-0647.

Arizona Department of Water Resources Compliance

Compliance Status

The Company is not located in an Active Management Area ("AMA") and is not subject to any AMA reporting and conservation requirements.

Letter of Adequate Water Supply

Staff recommends that the Company docket as a compliance item in this case within one year of the effective date of the order in this proceeding copies of the developers' Letter of Adequate Water Supply for the requested areas, where applicable or when required by statute. These Letters must indicate an adequate water supply.

Arizona Corporation Commission Compliance

A check with the Utilities Division Compliance Section indicated this Company has no outstanding compliance issues.

Curtailment Tariff

The curtailment plan tariff is being addressed in the Company's pending rate application, Docket No. W-01344A-05-0183.

Summary

Conclusions

- A. Staff concludes that the existing system and proposed plant facilities have adequate source production and storage capacity to serve the existing and proposed CC&N extension area within a conventional five year planning period.

- B. Based on compliance information submitted by the Company, the system has no deficiencies and has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
- C. The Company reported its arsenic concentration for its two wells at 30 ppb. Based on this arsenic concentration, the Company is proposing to construct a water treatment system that will treat surface and groundwater in order to meet the new arsenic MCL. This treatment system construction is addressed in the Company's pending financing application, Docket No. W-01344A-05-0647.
- D. The Company is not located in an AMA and is not subject to any AMA reporting and conservation requirements.
- E. A check with the Utilities Division Compliance Section indicated this Company has no outstanding compliance issues.
- F. The curtailment plan tariff is being addressed in the Company's pending rate application, Docket No. W-01344A-05-0183.

Recommendations

- 1. Staff recommends that the Company docket as a compliance item in this case copies of the ATC issued by ADEQ within one year of the effective date of the order in this proceeding.
- 2. Staff recommends that the Company docket as a compliance item in this case within one year of the effective date of the order in this proceeding copies of the developers' Letter of Adequate Water Supply for the requested area, where applicable or when required by statute. These Letters must indicate an adequate water supply.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells *bw*
Information Technology Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: September 16, 2005

RE: **TACNA WATER COMPANY (DOCKET NO. W-01344A-04-0815)**
AMENDED LEGAL DESCRIPTION

The area requested by Tacna for an extension has been plotted using an amended legal description, which has been docketed. This legal description is attached and should be used in place of the original description submitted with the application.

Also attached are copies of the maps for your files, along with a map which shows the entire requested area.

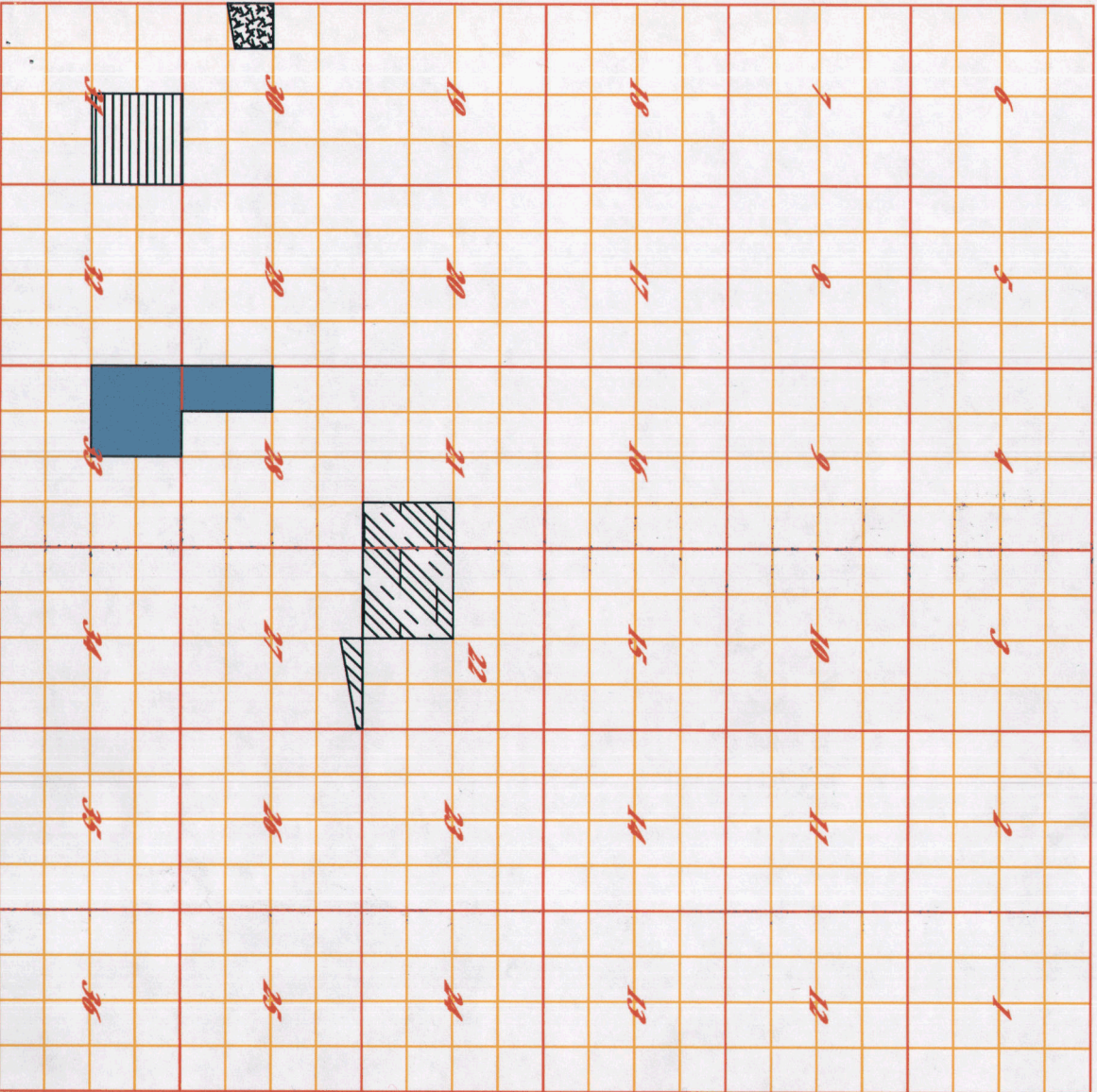
:bsw

Attachments


cc: Docket Control
Mr. Don Kelland
Ms. Deb Person (Hand Carried)
File

COCONINO COUNTY Yuma


RANGE 16 West




TOWNSHIP 8 South

 W-3868 (1)

Citrus Park Water Company

 W-2059 (1)

Desert Valencia Water System

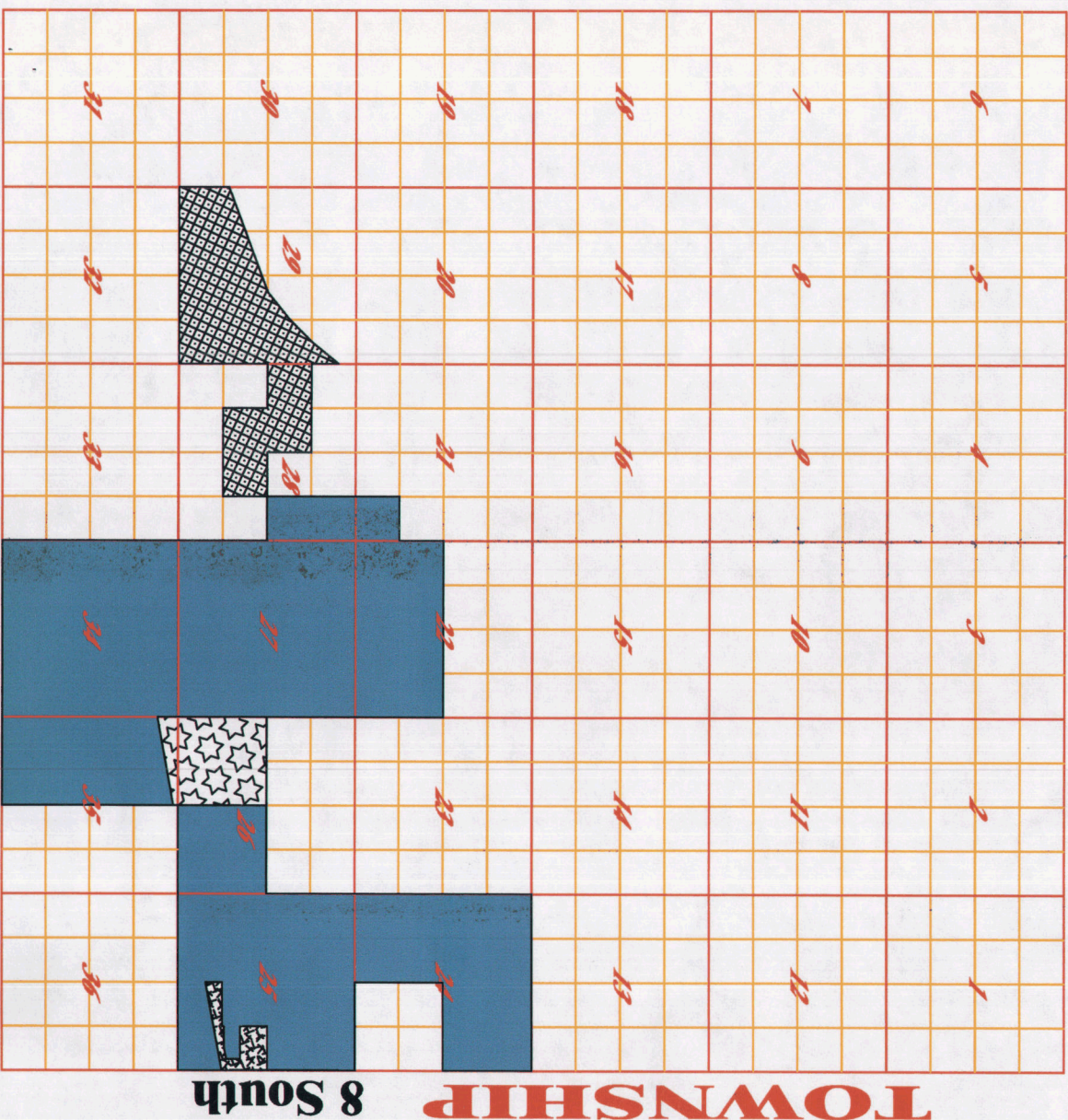
 W-1344 (2)





Tacna Water Company



Tacna Water Company
Docket No. W-01344A-04-0815
Application for Extension

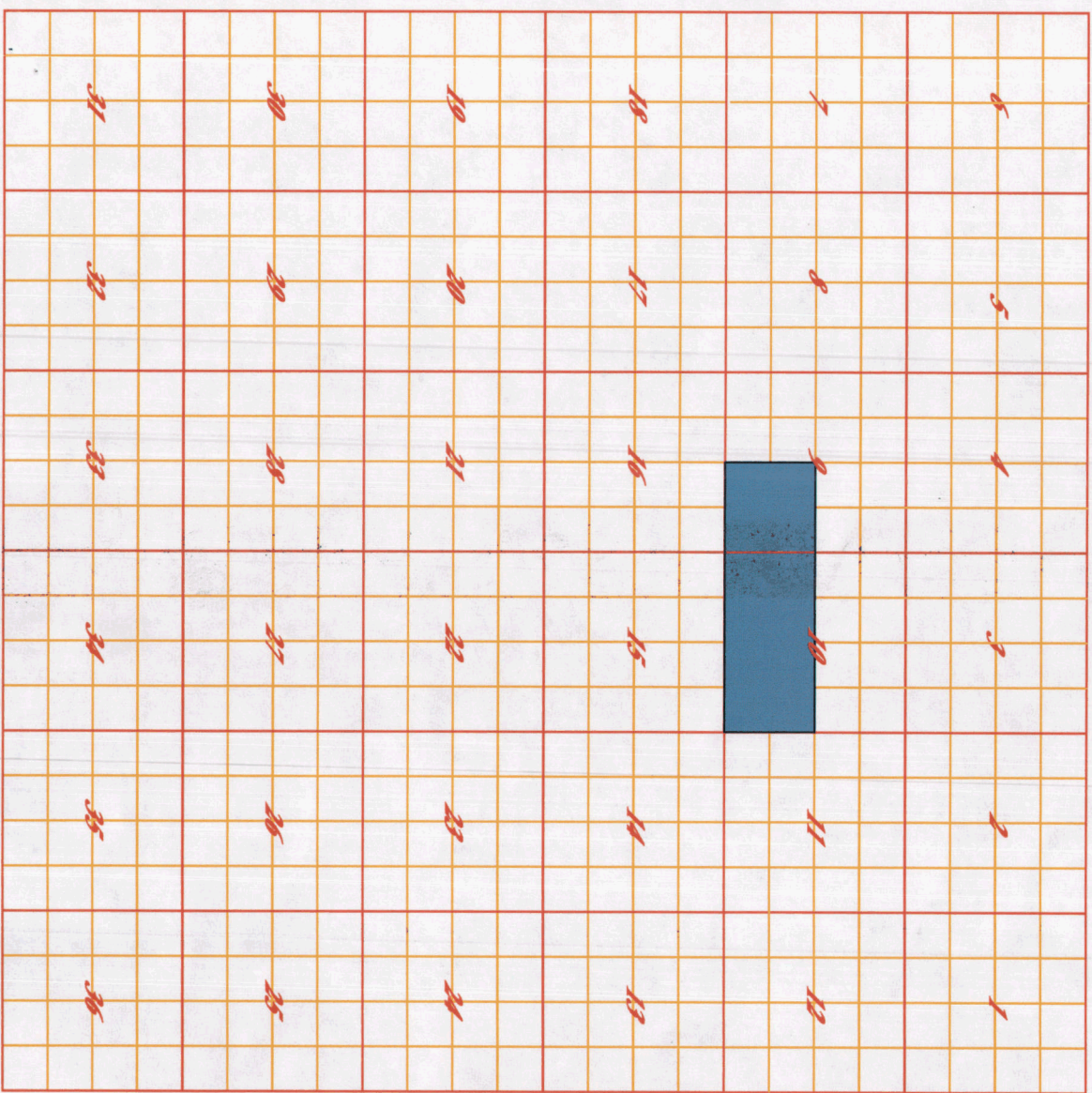
RANGE 17 West



	W-2005 (1)
Antelope Water Company	
	W-2341 (1)
Mohawk Utility Company	
	W-1344 (2)
Tacna Water Company	
	
Tacna Water Company	
Docket No. W-01344A-04-0815	
Application for Extension	

COUNTY of Yuma

RANGE 17 West



TOWNSHIP 9 South

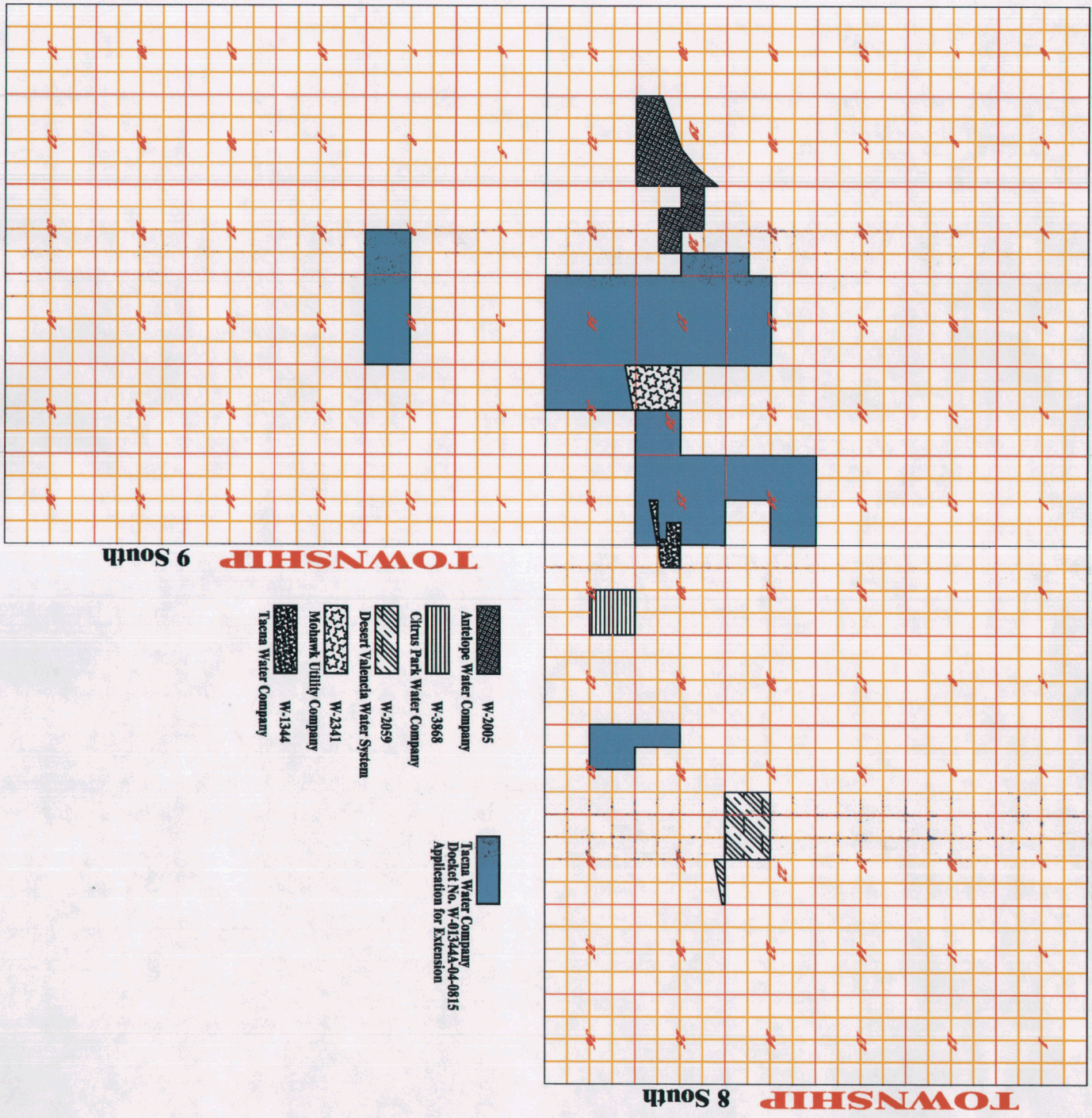


Tacna Water Company
Docket No. W-01344A-04-0815
Application for Extension

COUNTY: Yuma

RANGE 17 West

RANGE 16 West



TOWNSHIP 9 South

TOWNSHIP 8 South

- W-2005 Antelope Water Company
- W-3868 Citrus Park Water Company
- W-2059 Desert Valencia Water System
- W-2341 Mohawk Utility Company
- W-1344 Tacana Water Company

Tacana Water Company
Docket No. W-01344A-04-0815
Application for Extension

TACNA WATER COMPANY
DOCKET NO. W-01344A-04-0815
AMENDED LEGAL DESCRIPTION

~~DIRECTOR~~
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Located in Yuma County, Arizona:

2005 SEP -9 P 3:10

Township 8 South, Range 17 West

AZ CORP COMMISSION
DOCUMENT CONTROL

Section 21: SE $\frac{1}{4}$ of SE $\frac{1}{4}$
Section 22: S $\frac{1}{2}$
Section 24: All except the SE $\frac{1}{4}$
Section 25: All except what's already certificated to Tacna Water Company
Section 26: SE $\frac{1}{4}$
Section 27: All
Section 28: E $\frac{1}{2}$ of NE $\frac{1}{4}$
Section 34: All
Section 35: W $\frac{1}{2}$ except what's already certificated to Mohawk Utility Company

Township 8 South, Range 16 West

RECEIVED

Section 28: W $\frac{1}{2}$ of SW $\frac{1}{4}$
Section 33: NW $\frac{1}{4}$

SEP 09 2005

Township 9 South, Range 17 West

AZ Corporation Commission
Director of Utilities

Section 9: SE $\frac{1}{4}$
Section 10: S $\frac{1}{2}$